

Semiannual Report to Congress

April 1, 2015 – September 30, 2015
OIG-CA-16-004

Office of Inspector General
Department of the Treasury



Highlights

During this semiannual reporting period, the Office of Audit issued 40 products and identified \$48.9 million in monetary benefits. Work by the Office of Investigations resulted in 3 arrests and 23 convictions. Some of our more significant results for the period are described below:

- The Department of the Treasury (Treasury) made progress in implementing the Digital Accountability and Transparency Act of 2014 (DATA Act). However, there are concerns with Treasury's project management practices that if not addressed, could hinder the implementation.
- The Office of Audit questioned the allowability of \$945,837 invoiced by Burson-Marsteller and paid by the Bureau of Engraving and Printing under the Bureau's 2006 Public Education and Awareness Program contract.
- An audit determined that \$920,458 of an award made to Penascal Wind Power, LLC, a recipient of Treasury's—Payments for Specified Energy Property in Lieu of Tax Credits—authorized by Section 1603 of the American Recovery and Reinvestment Act of 2009, was not appropriate because the recipient did not comply with Treasury's 1603 Program Guidance.
- An audit found that Treasury's Office of Security Programs did not promptly report to our office two incidents that involved illegal activities on the part of the subjects which were disclosed in background investigation reports. We did note that neither individual had a security clearance.
- The Office of Investigations joint investigation with the Offices of Inspector General from the Federal Deposit Insurance Corporation, General Services Administration, Treasury Inspector General for Tax Administration, and the Department of Defense determined that Treasury and other Government agencies were overcharged by a mail delivery service company. The company entered into a civil settlement agreement with the Department of Justice where the company agreed to pay the Government \$25 million, plus interest at a rate of 1 percent per annum.

The Council of Inspectors General on Financial Oversight convened a working group to assess the extent to which the Financial Stability Oversight Council (FSOC) was monitoring interest rate risk to the financial system. FSOC's 2013 annual report to Congress included an interest rate risk recommendation, but its 2014 annual report did not include the recommendation. The working group recommended that FSOC document in its report the rationale for removing a recommendation. FSOC agreed that to the extent that it no longer recommends action related to a risk area identified in the prior annual report, FSOC will consider how to provide additional information regarding its analysis.



Message from the Inspector General

I am pleased to present the Department of the Treasury (Treasury) Office of Inspector General's (OIG) Semiannual Report to Congress for the 6-month period ended September 30, 2015.

In this message, I want to highlight the role played by our office to help the Inspector General Community meet its reporting requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act). Congress enacted the DATA Act to improve the quality of Federal spending data available to Congress, Federal managers, and the public through the USASpending.gov website. Strong oversight is essential to ensure Federal agencies successfully implement the Act. In this regard, I am pleased to see that the DATA Act provides for that oversight by way of mandated reviews by the Inspectors General of their respective agencies and by the Government Accountability Office. These reviews will, among other things, assess the completeness, timeliness, quality, and accuracy of spending data submitted to USASpending.gov.

Treasury OIG took the lead to form a Working Group under the auspices of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to assist the Inspector General Community in understanding and meeting its oversight requirements. The Working Group, consisting of over 50 volunteers representing more than 20 OIGs, has closely monitored DATA Act implementation activities by the Office of Management and Budget and Treasury, established a coordination/consultation protocol with the Government Accountability Office on DATA Act matters, kept CIGIE fully informed, and began to develop a common methodology to be made available to the Inspectors General for guidance in carrying out the mandated reviews.

In closing, the DATA Act efforts by our office are important, both to Treasury and the Government at-large, but are just one part of the work that we do. I would like to acknowledge all Treasury OIG staff for making possible the significant audit and investigative results that are summarized in this Semiannual Report.

I would also like to express my appreciation to Patricia L. Brown, my Executive Assistant, who retired in October 2015 after 35 years of dedicated service. On behalf of the entire office, I wish her much happiness in retirement.

A handwritten signature in black ink, appearing to read "Eric M. Thorson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eric M. Thorson
Inspector General

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Office of Inspector General Overview

The Department of the Treasury's (Treasury) Office of Inspector General (OIG) was established pursuant to the 1988 amendments to the Inspector General Act of 1978. OIG is headed by an Inspector General appointed by the President with the advice and consent of the Senate.

OIG performs independent, objective reviews of Treasury programs and operations, except for those of the Internal Revenue Service (IRS) and the Troubled Asset Relief Program (TARP), and keeps the Secretary of the Treasury and Congress fully informed of problems, deficiencies, and the need for corrective action. The Treasury Inspector General for Tax Administration (TIGTA) performs oversight related to IRS. A Special Inspector General and the Government Accountability Office (GAO) perform oversight related to TARP.

OIG also performs independent oversight of programs and operations funded by the Gulf Coast Restoration Trust Fund (Trust Fund) established within Treasury by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act). In addition to performing oversight of Treasury-related activities, OIG performs oversight of programs and operations administered by the Gulf Coast Ecosystem Restoration Council (Council), established as an independent Federal entity, and the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program (Science Program) administered by the National Oceanic and Atmospheric Administration (NOAA). With regard to the Council and the Science Program, OIG keeps the Secretary of Commerce as the appointed Chairperson of the Council, the NOAA Science Program Administrator, and Congress fully informed of problems, deficiencies, and the need for corrective actions.

OIG has four components: (1) Office of Audit, (2) Office of Investigations, (3) Office of Counsel, and (4) Office of Management. OIG is headquartered in Washington, D.C., and has an audit office in Boston, Massachusetts.

The Office of Audit, under the leadership of the Assistant Inspector General for Audit, performs and supervises financial and performance audits, attestation engagements, and evaluations. The Assistant Inspector General for Audit also serves as the Special Deputy Inspector General for Small Business Lending Fund (SBLF) Program Oversight. Under the Assistant Inspector General for Audit there are three deputies—one deputy

is primarily responsible for financial sector audits to include audits of banking supervision, manufacturing of currency and coins, and alcohol and tobacco excise tax revenue collection activities; one deputy is primarily responsible for financial management and transparency audits to include financial audits of Treasury performed by OIG staff and contractors, audits of Government-wide collection, payment, and debt programs and operations, and audits of anti-money laundering/terrorist financing, foreign sanction, and intelligence programs and operations; and one deputy is primarily responsible for cybersecurity and financial assistance audits to include audits of the SBLF, State Small Business Credit Initiative (SSBCI), and RESTORE Act programs and operations.

The Office of Investigations, under the leadership of the Assistant Inspector General for Investigations, performs investigations and conducts initiatives to detect and prevent fraud, waste, and abuse in Treasury and RESTORE Act programs and operations under our jurisdiction. The Office of Investigations also manages the Treasury OIG Hotline to facilitate reporting of allegations involving Treasury programs and activities.

The Office of Counsel, under the leadership of the Counsel to the Inspector General, provides legal advice to the Inspector General and all OIG components. The office represents the OIG in administrative legal proceedings and provides a variety of legal services, including (1) processing Freedom of Information Act and *Giglio*¹ requests; (2) conducting ethics training; (3) ensuring compliance with financial disclosure requirements; (4) reviewing proposed legislation and regulations; (5) reviewing administrative subpoena requests; and (6) preparing for the Inspector General's signature, cease and desist letters to be sent to persons and entities misusing the Treasury seal and name.

The Office of Management, under the leadership of the Assistant Inspector General for Management, provides services to maintain the OIG administrative infrastructure.

OIG's fiscal year 2015 appropriation is \$35.4 million; the OIG's oversight of SBLF and SSBCI programs and operations is funded on a reimbursable basis. As of September 30, 2015, OIG had 162 full-time staff.

¹ *Giglio* information refers to material that may call into question the character or testimony of a prosecution witness in a criminal trial.

Management and Performance Challenges

The Reports Consolidation Act of 2000 requires that the Treasury Inspector General annually provide his perspective on the most serious management and performance challenges facing Treasury, and for the Gulf Coast Ecosystem Restoration Council. The following is a synopsis of Inspector General Thorson's annual assessments which are available, in their entirety, on the Treasury OIG [website](#).

Treasury's Management and Performance Challenges

In a memorandum to Secretary Lew dated October 30, 2015, Inspector General Thorson reported 5 challenges, all of which were previously reported, and other matters of concern. It should be noted that in drafting this year's memorandum, the Inspector General included the debt limit impasse as a new challenge because of the immediacy of the need to raise the debt ceiling to avoid potentially catastrophic consequences to the U.S. and world economies from a debt default. The Inspector General removed that challenge from his final memorandum as the Congress passed legislation for a temporary extension of the debt limit until March 15, 2017. That said, a more long-term solution to the recurring debt ceiling impasse still requires continued Treasury effort. The 5 challenges and other matters of concern that were reported follow.

Cyber Threats (Repeat Challenge)

Cybersecurity represents one of the most serious challenges facing the Nation today. A reliable critical infrastructure, including information systems and networks, is vital to our national security and economic stability. Cyber threats are a persistent concern as Treasury's information systems are critical to the core functions of Government and the Nation's financial infrastructure. As cyber threats continue to evolve and become more sophisticated and subtle, they pose an ongoing challenge for Treasury to fortify and safeguard its internal systems and operations and the financial sector it oversees.

Management of Treasury's Authorities Intended to Support and Improve the Economy (Repeat Challenge)

This challenge focuses on the administration of broad authorities given to Treasury by the Congress to address the financial crisis under the Housing and Economic Recovery Act of 2008, the Emergency Economic Stabilization Act of 2008, the

American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Small Business Jobs Act of 2010. Another focus of the challenge is on the responsibilities of Treasury and the Secretary under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in 2010.

Efforts to Promote Spending Transparency and to Prevent and Detect Improper Payments (Repeat Challenge)

The Digital Accountability and Transparency Act of 2014 (DATA Act), signed into law in May 2014, furthers the effort to ensure that the Federal Government provides consistent, reliable, and useful online data about how it spends taxpayer dollars. To fulfill its intent, the DATA Act imposes certain requirements on the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), the Inspectors General of each Federal agency, and the Comptroller General of the United States. Given the broad Government-wide implications and critical roles assigned to Treasury by the DATA Act, we consider this a high risk implementation project and management challenge.

In light of the continuing problem with improper payments (estimated at \$125 billion, or 4.5 percent of all program outlays, for fiscal year 2014), the Federal Government has intensified efforts to reduce improper payments in major Federal programs. The Do Not Pay Initiative, and Treasury's Do Not Pay Business Center, are chief components of efforts designed to prevent and detect improper payments to individuals and entities. With its potential to reduce improper payments, the Do Not Pay Program is a major and important undertaking.

Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement (Repeat Challenge)

This challenge focuses on the difficulties Treasury faces to ensure criminals and terrorists do not use our financial networks to sustain their operations and/or launch attacks against the U.S.

Gulf Coast Restoration Trust Fund Administration (Repeat Challenge)

This challenge focuses on Treasury's administration of the Gulf Coast Restoration Trust Fund, established by the RESTORE Act in response to the 2010 Deepwater Horizon oil spill.

Other Matters of Concern

Our memorandum also highlighted two matters of concern—challenges with currency and coin production and lapses by Treasury in maintaining a complete and concurrent record of key activities and decisions.

Gulf Coast Ecosystem Restoration Council Management and Performance Challenge

In an October 30, 2015, letter to Secretary Pritzker, Department of Commerce, in her role as the Chairperson of the Gulf Coast Ecosystem Restoration Council, Inspector General Thorson reported 1 challenge, which was repeated from last year.

Implementing an Infrastructure to Administer Gulf Coast Restoration Activities (Repeat Challenge)

The Gulf Coast Ecosystem Restoration Council is charged with administering two critical RESTORE Act components: the Comprehensive Plan Component and the Spill Impact Component. Together, these components will receive more than half the monies deposited into the Gulf Coast Restoration Trust Fund. The Council faces challenges on many levels as it must operate in an environment where its actions are subject to RESTORE Act mandates, including high levels of scientific review, environmental regulatory oversight, and public transparency. The Council made significant progress to fill critical staff positions, but has not yet achieved its planned permanent staffing structure. Sufficient and able staff is essential to completing the overall organizational infrastructure that is comprised of strong internal controls and a reliable and secure information technology (IT) environment to support financial management and grant activities.

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Office of Audit – Significant Audits and Other Products

Information Technology

Bureau of the Fiscal Service’s Management of Virtual Servers Needs Improvement

We completed an audit of the security of data stored on virtual servers and virtual hosts that were located in the Bureau of the Fiscal Service’s (Fiscal Service) consolidated data centers. We determined that Fiscal Service had security controls in place for securing data on the virtual servers selected for our review. However, improvement is needed in the management of those servers for ensuring compliance with the National Institute of Standards and Technology Special Publication 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations (NIST SP 800-53, Revision 3), as well as Treasury’s and Fiscal Service’s policies and procedures.

We recommended that Fiscal Service ensure that (1) a complete enterprise-wide inventory of virtual servers in its environment is created and maintained; (2) an approved centralized software inventory across its lines of business is created, maintained, and regularly updated to ensure that only approved software is included; (3) software is timely removed from virtual servers when retired; (4) staff responsible for the account management function is aware of its exit procedures so that inactive user accounts are disabled and administrative privileges are immediately removed when no longer needed; and (5) periodic reviews of administrative accounts are performed in accordance with NIST SP 800-53, Revision 3 and Fiscal Service’s policies and procedures. Fiscal Service management agreed with our recommendations and we consider the actions taken and planned by Fiscal Service to be responsive to our recommendations.

As a separate matter of concern, we included our observations regarding communication among Fiscal Service’s IT management functions responsible for Fiscal Service’s virtual servers. In particular, we noted that critical information was not being shared among staff managing the virtual servers. We were concerned that the current channels of communication may risk Fiscal Service’s ability to respond timely to IT emergencies such as a critical patch installation or cyber security incident. Although we did not identify any weaknesses in the security controls over the virtual servers, we believe it would be prudent that management assess its current IT processes and functions to identify opportunities to improve information sharing and collaboration among IT teams. **(OIG-15-042)**

Fiscal Year 2015 Audit of Treasury’s Federal Information Security Modernization Act Implementation for Its Intelligence Systems

The Federal Information Security Modernization Act of 2014 requires each Inspector General to perform an annual independent evaluation of their agency’s information security program and practices. In our fiscal year 2015 report, we identified matters needing improvement. Due to the sensitive nature of Treasury’s intelligence systems, this report is classified. **(OIG-15-047)**

Survey of Treasury’s Acquisition and Adoption of the Intelligence Community IT Enterprise Services

We surveyed Treasury’s ongoing acquisition and adoption of the Intelligence Community Information Technology Enterprise (IC ITE). Our review was part of a joint effort by the Intelligence Community Inspectors General to gather information related to IC ITE across the Intelligence Community.

We determined that Treasury management is in the process of procuring IC ITE services and is reviewing requirements and user data to estimate potential future IC ITE costs. Additionally, management has established business and security teams to approve purchases of future IC ITE services. Once IC ITE services have been fully established within Treasury, management plans to migrate as many applications and data onto IC ITE as feasible. We have no immediate concerns over Treasury’s plans for acquiring IC ITE services. However, we are considering future audits of Treasury’s acquisition and adoption of IC ITE, including but not limited to, governance, contractual compliance, security controls, and performance measurement. **(OIG-CA-15-020)**

Financial Sector Audits

Financial Stability Oversight Council and Office of Financial Research Data Requests Are Not Duplicative

In response to a directive in House Report 113-508 on the Financial Services and General Government Appropriations Bill, 2015, we assessed whether data reporting required by the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) from financial companies, or any related entities, is duplicative of data reporting required by other regulators and burdensome. Based on our inquiries and review, we found no indications that data reporting required or requested of financial companies by FSOC and OFR has been duplicative of data required by primary

financial regulatory agencies or unduly burdensome on those companies or any related entities. We did not make any recommendations to FSOC or OFR.

(OIG-15-043)

Federal Insurance Office’s Consultation Process with State Insurance Regulators Could Be Improved

In response to a directive in House Report 113-508 on the Financial Services and General Government Appropriations Bill, 2015, we reviewed the Federal Insurance Office’s (FIO) policy development and coordination on international insurance matters. We determined that FIO engaged in numerous activities to promulgate its role as the U.S. representative in the International Association of Insurance Supervisors (IAIS). For example, it represented U.S. interests in leadership and committee member roles in the IAIS, actively participated in IAIS conferences, and regularly communicated with State insurance regulators on the development of Federal policy on prudential aspects of international insurance matters. However, our interviews with the State insurance regulators revealed that FIO could improve its consultative efforts.

Accordingly, we recommended that FIO continues to build on its consultation process with the State insurance regulators to promote more consistent communication, timely dissemination of information, consideration of solicited feedback, and increased transparency of FIO’s activities relating to IAIS. FIO agreed to build on its existing consultation process with the State insurance regulators. We consider FIO’s commitment to be responsive to our recommendation.

(OIG-15-032)

Material Loss Review of The National Republic Bank of Chicago (closed October 24, 2014; estimated loss to the Deposit Insurance Fund—\$111.6 million)

The primary cause of The National Republic Bank of Chicago’s failure was undue influence by the chairman of the board over the bank’s operations and critical decisions, as well as deficient senior management oversight and governance. These underlying causes further led to the bank having improper credit administration processes, aggressive growth and concentration in commercial real estate loans without commensurate credit risk management and adequate capital, overreliance on brokered deposits, and irregular banking transactions.

The Office of the Comptroller of the Currency’s (OCC) supervision of the bank was appropriate. OCC addressed the concentration in commercial real estate loans and credit administration and risk management issues in a timely manner. OCC also timely

identified irregular banking transactions being used to maintain the appearance that the bank was in a better financial position than it actually was and it was timely in the issuance of appropriate enforcement actions. In addition, as the bank's capital levels deteriorated, OCC appropriately imposed prompt corrective action restrictions on the bank, which resulted in the resignation of the bank's chairman and president. We did not make any recommendations to OCC.

(OIG-15-031)

Coordination of Responsibilities among the Consumer Financial Protection Bureau and Prudential Regulators

We performed a joint, limited scope review with OIGs for the Board of Governors of the Federal Reserve System (FRB) and the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) to assess whether there are overlaps in how the CFPB and prudential regulators are carrying out their regulatory responsibilities.

We found that CFPB and prudential regulators were generally coordinating their regulatory oversight activities for Federal consumer financial laws, consistent with Dodd-Frank and the provisions of memoranda of understanding governing coordination activities. In our work, we did not identify regulatory duplication of oversight responsibilities. Nonetheless, we determined that there are opportunities for enhanced coordination.

We also found that when CFPB requested information from institutions in support of its consumer protection and enforcement activities, as allowed by Dodd-Frank, CFPB officials generally notified the prudential regulator in advance of the requests.

We did not make any recommendations to CFPB or to the prudential regulators.
(OIG-CA-15-017)

Recovery Act

Audit of Penascal Wind Power LLC Payment under 1603 Program

Under Treasury's 1603 Program—Payments for Specified Energy Property in Lieu of Tax Credits—authorized by Section 1603 of the American Recovery and Reinvestment Act of 2009 (Recovery Act), applicants are eligible for a 1603 Program award for placing specified energy properties in service or beginning construction of such properties during calendar years 2009, 2010, or 2011. For properties not yet

in-service, applicants were required to submit applications before October 1, 2012. The amount awarded must be in accordance with applicable provisions of the Internal Revenue Code for determining the appropriate cost basis. As part of our ongoing oversight of the 1603 Program, we are conducting audits of awards made to selected award recipients to assess the eligibility and accuracy of the award by determining whether (1) the property existed, (2) the property was placed into service during the eligible timeframe, and (3) the award amount was appropriate.

In the case of the award made to Penascal Wind Power, LLC (Penascal I), an affiliate of Iberdrola Renewables, LLC (Iberdrola), we found that Penascal I's subject property existed and was placed in service within the eligible timeframe. However, the award amount was not appropriate. We questioned \$920,458 of Penascal I's award as a result of identifying \$3,068,194 of questionable costs included in Penascal I's 1603 Program claim that did not comply with Treasury's 1603 Program Guidance.

We recommended that Treasury management (1) ensure that Penascal I reimburse Treasury \$920,458 for the excessive 1603 Program payment received for the subject property and (2) ensure that inappropriate or otherwise ineligible costs were not included in the cost basis of other Iberdrola affiliates that have received 1603 Program payments. Treasury management concurred with our recommendation to seek reimbursement of Penascal I's excessive payment in the amount of \$920,458. Treasury management also agreed to re-review the cost information previously submitted by other Iberdrola affiliates to determine if any ineligible costs were included in those awards.

(OIG-15-045)

DATA Act

Treasury is Making Progress in Implementing the DATA Act But Needs Stronger Project Management

In this audit, the first of a series of our ongoing oversight of Treasury's DATA Act implementation efforts, we found that, as of October 31, 2014, Treasury and OMB made progress in implementing the DATA Act. However, we had concerns with Treasury's project management practices that if not addressed, could hinder the timely, comprehensive implementation of its DATA Act requirements.

The DATA Act places initial responsibility for implementation efforts squarely on Treasury and OMB. Due to the complexities involved, Treasury and OMB are primarily

using an agile approach to implement the DATA Act.² However, Treasury officials acknowledged that since all aspects of the implementation do not fit this approach, they are using a mix of agile and traditional project management practices. We noted that the project management documents provided did not fully reflect recognized artifacts, tools, and metrics for either an agile or traditional project management methodology. The absence of expected project management documents and inconsistencies may be attributable, in part, to the lack of definition surrounding the method of project management to be followed for each of the various implementation workstreams. In addition, Treasury's inability to timely fill the program manager position may be a contributing factor.

We recommended that Treasury (1) strengthen project management over DATA Act implementation efforts by defining the project management methodology being used for each significant workstream and ensuring that project management artifacts appropriate to those methodologies such as project planning tools, progress metrics, and collaboration documentation are adopted and maintained; and (2) ensure the individual charged with program management has the requisite qualifications, resources, and understanding of project management methodologies used to effectively fulfill that role.

Treasury management recognized that there are improvements to be made with the artifacts as well as the processes for the agile approach. Their response described a number of process improvements that have been recently implemented and stated that Treasury is committed to improving workstream documentation to identify and document when the agile approach is being used. In addition, Treasury noted that it filled the program manager position with an individual who has received formal training and is certified in agile project management methodologies. Treasury also committed to ensure that the data transparency office program management personnel have the requisite qualifications and skills to perform the coordinating functions necessary to achieve its larger business goal. We consider the actions planned and taken by Treasury to be responsive to our recommendations.

(OIG-15-034)

² Agile is a project management methodology that values individuals and interactions over processes and tools, working software over comprehensive documentation, customer collaboration over contract negotiation, and responding to change over following a plan.

Other Audits of Treasury Programs and Operations

Office of Security Programs Needs to Promptly Inform OIG of Potential Illegal Activity and Improve Other Processes

Treasury's Office of Security Programs (OSP) directs personnel security and has the authority to determine an individual's eligibility to receive security clearances. We found that OSP did not (1) promptly report to OIG two incidents that involved illegal activities on the part of the subjects which were disclosed in Office of Personnel Management (OPM) Reports of Investigation (the details of the two incidents were provided to management in a separate, classified memorandum; neither individual involved had a security clearance), (2) provide Treasury employees' security clearance information in OPM's Central Verification System (CVS), (3) timely initiate periodic reinvestigations, (4) communicate well with its clients, and (5) always follow its standard operating procedures for the security clearance process. We also found (1) OSP adjudicated new background investigations in an average of 11 days, well within requirements, and (2) Treasury employees' personnel security files maintained at the OSP office were accurate, physically secured, and contained all required documentation.

We recommended that Treasury management (1) direct OSP to notify OIG immediately when the office becomes aware that any employee, former employee, contractor, subcontractor, or potential contractor may have engaged in improper or illegal activities; (2) conduct, in conjunction with the Treasury Office of the Chief Information Officer (OCIO), a resource analysis of OSP to determine the proper IT support needed to comply with CVS requirements; (3) ensure that OSP works with OCIO and OPM, as appropriate, to resolve OSP system and data issues with the CVS so that Treasury employee security clearance data in the system is accurate; (4) ensure that periodic reinvestigations continue to be initiated within required timeframes; (5) instruct OSP to work with its client offices to identify ways to improve communications as to the status of security clearances and the need for assistance to facilitate the security clearance process; (6) improve the security clearance process guidance by streamlining the Treasury Security Manual and other related sources; and (7) ensure that OSP develops and implements comprehensive standard operating procedures for the security clearance process. The corrective actions taken and planned by Treasury management were responsive to our recommendations.

(OIG-15-040; OIG-CA-15-022)

Former Federal Inmate Debit Card Fees Were Comparable with Other Card Programs But Documentation Supporting FAAs Was Lacking

We conducted an audit on Fiscal Service’s designation of Bank of America (BofA) and JPMorgan Chase & Company (JPMC) as financial agents for banking services provided to the Federal Bureau of Prisons and the administration of the respective Financial Agent Agreements (FAA) for those services.

Fiscal Service provided little documentation to support the designation of BofA and JPMC as financial agents. This was also true for the 22 amendments made to the BofA FAA, which often were made to increase the financial agent’s compensation for changes to, or increases in, the scope of required services and/or for extensions of the performance period of the FAA. We also found that there was limited documentation to support Fiscal Service’s monitoring of the FAA with BofA. As a result, we could not determine whether Fiscal Service’s selections of BofA and JPMC as financial agents were made in the best interest of the Government. Moreover, we could not determine whether Fiscal Service assessed the reasonableness of the amendments. When asked about the lack of documentation, Fiscal Service officials told us that the staff involved with these FAAs were no longer with the bureau, and they did not know why the documentation had not been retained.

As discussed in our report, we believe that this explanation and the recurrent lack of documentation for these two FAAs and their monitoring are unacceptable. In prior audits, we have reported our concerns to the Department and Fiscal Service regarding the level of documentation for the selection and monitoring of financial agents as well as the lack of policies and procedures. We therefore believe it is incumbent for Fiscal Service to implement stronger controls over the designation of the financial agents and the administration and documentation of these two FAAs, and to assess whether additional controls are necessary for all FAAs.

We also found that FAA with BofA was amended in 2003 and 2005 to include email and phone services. Fiscal Service did not document how concerns with those certain services were resolved.

As a positive finding, we reported that the fees associated with debit cards provided through JPMC to former Federal inmates under Fiscal Service’s U.S. Debit Card program were comparable to, and in some cases, less than those available to the general public and other Federal agencies. The U.S. Debit Card program also provided additional benefits to former inmates, including photo identification.

We recommended that Fiscal Service (1) ensure the designation process for financial agents is documented and that the documentation is maintained through the life of the FAA and subsequent amendments, and for an appropriate period after the FAA terminates; (2) develop and implement policies and procedures for amending FAAs which among other things should identify the circumstances for which amending an existing FAA or obtaining services through a new FAA using competition are appropriate, including circumstances where the cost and scope of services are expanded; (3) ensure that Fiscal Service's guidelines for monitoring financial agents are followed, and the monitoring documented; and (4) work with the Bureau of Prisons to determine an appropriate course of action for the BofA FAA, particularly with respect to the ancillary services provided, and act to terminate the existing FAA in an orderly manner.

In its response to our first recommendation, management stated that it recently began refining and updating its policies and procedures for selection of financial agents. These policies and procedures will provide that the process by which Treasury designates financial agents be documented, with documentation maintained throughout the life of the FAA, and for an appropriate period thereafter, in accordance with document retention requirements. In this regard, Fiscal Service expected to complete the policies and procedures by the end of calendar year 2015. Fiscal Service also instituted an Executive Oversight Council, comprised of Fiscal Service's Commissioner and affected Senior Management and business line leaders, to discuss planned and in progress financial agent selection processes, related cross-cutting issues, and continuous improvement. This response, and the actions taken and planned to the other recommendations, met the intent of our recommendations. **(OIG-15-048)**

Incurring Costs on BEP's Public Education and Awareness Contract with Burson-Marsteller

We questioned \$945,837 of the approximately \$33.2 million invoiced and paid by the Bureau of Engraving and Printing (BEP) under the bureau's 2006 Public Education and Awareness Program contract. The contractor was Young & Rubicam, Inc., doing business as Burson-Marsteller. The questioned costs related to (1) \$943,451 for materials fulfillment services and (2) \$2,386 for other direct costs.

We recommended that the Contracting Officer (1) determine the allowability of \$943,451 in questioned costs for materials fulfillment services, including (a) \$726,438 in unsupported box processing charges, (b) \$216,373 in unreasonable amounts for box processing and storage charges, and (c) \$640 in unallowable

fulfillment shipping charges; (2) determine the allowability of \$2,386 in other direct costs questioned for services other than fulfillment, including (a) \$2,275 charged for meals that Burson-Marsteller provided to Government employees and (b) \$111 in unsupported meal costs; and (3) that BEP review the remaining meals and entertainment charges that were not included in our sample to determine whether the other meal costs are unallowable. If the Contracting Officer determined that the costs were unallowable, BEP was to request a refund from Burson-Marsteller.

On June 17, 2015, BEP issued a Contracting Officer's Final Decision and Demand for Payment notifying Burson-Marsteller of a Government claim seeking \$946,571 for reimbursement to BEP for unreasonable and/or unallowable charges. The claim is currently being appealed by Burson-Marsteller in the Civilian Board of Contract Appeals, Washington, D.C., and is pending on the outcome of the appeal.

(OIG-15-035)

Contractor-Provided Meals to BEP Employees

As part of our audit of costs incurred on BEP's 2006 Public Education and Awareness Program, we identified \$2,275 of meals that the contractor purchased for Government employees and billed to BEP. According to the GAO's Principles of Federal Appropriations Law, appropriated funds are not available to pay subsistence or to provide free food to Government employees at their official duty stations unless specifically authorized by statute. Food is considered a personal expense and Government salaries are presumed adequate to enable employees to eat regularly. We also found that the BEP Contracting Officer's Representative, for a period of time during the 2002 contract, attended lunches with a Burson-Marsteller executive and the two alternated paying for the lunches. Standards of ethical conduct for employees of the executive branch, prohibits Government employees from directly or indirectly accepting a gift from a prohibited source and 5 C.F.R. §2635.205, Proper Disposition of Prohibited Gifts, states that subsequent reciprocation by the employee, as in the case of the Contracting Officer's Representative taking turns paying for meals, does not constitute reimbursement.

We recommended that BEP (1) instruct the current Contracting Officer to review the remaining meals and entertainment charges invoiced to BEP by Burson-Marsteller that were not included in our sample to identify other instances of BEP employees who may have received meals from Burson-Marsteller (2) determine an appropriate method for BEP employees to reimburse the value of the meals received, and (3) provide training related to appropriations law and Government employee standards of conduct

to those involved with contracting actions. We consider the actions planned by BEP to be responsive to our recommendations.

(OIG-15-CA-019)

Fiscal Service’s Administrative Resource Center Operated Independently of Fiscal Service Funding

We determined that sufficient controls were in place during fiscal year 2012 to ensure that Fiscal Service’s Administrative Resource Center maintained operational independence from Fiscal Service’s appropriated funding with respect to occupancy/physical space costs and employee details. We did not make any recommendations to Fiscal Service.

(OIG-15-038)

Financial Management

Treasury’s Improper Payment Reporting Needs Improvement

As required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), we performed an audit to assess and report on Treasury’s overall compliance with IPERA for fiscal year 2014. We also assessed Treasury’s compliance with additional improper payment reporting requirements set forth in Executive Order 13520, “Reducing Improper Payments and Eliminating Waste in Federal Programs,” and the Improper Payments Elimination and Recovery Improvement Act of 2012.

As in years past, we determined that Treasury was not in compliance with IPERA due to IRS’s Earned Income Tax Credit (EITC) program deficiency reported by TIGTA. Specifically, IRS has not reported an improper payment rate of less than 10 percent as required. We also determined that improvement is needed in Treasury’s payment recapture audit reporting as Treasury did not fully comply with OMB’s reporting requirements. In addition, we included in our report TIGTA’s determination that Treasury’s annual risk assessments continue to underestimate the risk of improper payments in IRS tax refund programs.

We reaffirmed our prior years’ recommendation that Treasury needs to submit a comprehensive plan to Congress that includes a description of the corrective actions it will take to remediate noncompliance with IPERA due to IRS’s EITC deficiency. As new recommendations, we recommended that (1) recaptured improper payments are disposed of in accordance with OMB requirements; (2) outstanding overpayments are correctly classified in the Agency Financial Report; (3) Treasury formally notify OMB of

programs and activities that expend more than \$1 million where a cost-effective payment recapture audit program could not be conducted; and (4) Treasury's Risk and Control Group continue to work with IRS to modify Treasury's "Improper Payments Elimination and Recovery Risk Assessment Questionnaire for Fiscal Year 2014" to ensure it includes questions to address whether IRS has the information it needs to validate taxpayer claims at the time the tax return is filed and the refund is paid. In its response, Treasury management stated that while Treasury and IRS continue to work to develop a more comprehensive plan for submission to Congress, achieving EITC compliance with IPERA will likely require legislative changes. We acknowledged management's position that legislative changes may be required to achieve EITC compliance with IPERA and consider the actions taken and planned by Treasury to be responsive to our recommendations.

(OIG-15-033)

Attestation Engagements

Reports on the Processing of Transactions by Fiscal Service

We completed three reports described below in support of the audit of Treasury's fiscal year 2015 consolidated financial statements and the financial statement audits of certain other Federal agencies.

KPMG LLP (KPMG), working under a contract with our office, examined the accounting and procurement processing and general computer controls related to financial management services provided to various Federal agencies by Fiscal Service's Administrative Resource Center for the period beginning July 1, 2014, and ending June 30, 2015. KPMG found, in all material respects, that the controls were fairly presented in the description of controls for these activities and suitably designed. The auditor also found that controls tested operated effectively throughout the period.

(OIG-15-047)

KPMG, working under a contract with our office, examined general computer and investment/redemption processing controls used for various Federal agencies' transactions by Fiscal Service's Federal Investments Branch, and general computer and trust funds management processing controls used for various Federal and state agencies' transactions by the bureau's Funds Management Branch for the period beginning August 1, 2014, and ending July 31, 2015. KPMG found, in all material respects, that the controls were fairly presented in the description of controls for these activities and suitably designed. The auditor also found that controls tested operated effectively throughout the period. **(OIG-15-049; OIG-15-050)**

Financial Audits of Treasury

Audits of the fiscal year 2015 financial statements or schedules of Treasury and its component reporting entities were in progress at the end of this semiannual reporting period. The following instances of noncompliance with the Federal Financial Management Improvement Act of 1996, were reported in connection with the audit of Treasury’s fiscal year 2014 consolidated financial statements (they all relate to IRS).

Condition	Type of noncompliance
Internal control deficiencies in financial management systems for unpaid tax assessments continue to exist. As a result of these deficiencies, IRS was unable to (1) use its general ledger system and underlying subsidiary records to classify and report Federal taxes receivable and other unpaid tax assessments, in accordance with Federal accounting standards without a labor-intensive manual compensating estimation process; (2) use its subsidiary ledger for unpaid tax assessments to prepare reliable, useful, and timely information to manage and report externally because IRS’s classification program does not effectively sort through, identify, and analyze all the relevant transaction information required for proper classification, recording and reporting; and (3) effectively prevent or timely detect and correct errors in recording taxpayer information. (first reported in fiscal year 1997)	Federal financial management systems requirements
Financial management systems were unable to support the taxes receivable amount on the consolidated balance sheet, and the compliance assessments and write-offs in the required supplementary information disclosures, in accordance with Statement of Federal Financial Accounting Standards No. 7, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i> . (first reported in fiscal year 1997)	Federal accounting standards

The status of these instances of noncompliance, including progress in implementing remediation plans, will be evaluated as part of the audit of Treasury’s fiscal year 2015 consolidated financial statements.

RESTORE Act

Centers of Excellence Research Grant Programs

As part of our ongoing oversight of RESTORE Act programs, we assessed the Gulf Coast States progress to establish Centers of Excellence Research Grant Programs (Center of Excellence) for the purpose of conducting research in the Gulf Coast Region. During this semiannual period, we issued three reports on the status of Alabama, Mississippi, and Florida. Audits of Louisiana and Texas are ongoing.

Alabama’s Center of Excellence Was Not Selected through Competitive Award

We found that Alabama’s Center of Excellence was not selected through competitive award as required by the RESTORE Act. Instead, the Alabama Gulf Coast Recovery Council (Alabama Council) selected the Dauphin Island Sea Lab, home of the Marine Environmental Sciences Consortium, after deliberating on what

would be in the State’s best interest. It was not until Treasury issued RESTORE Act regulations, effective in October 2014, that members of the Alabama Council concluded they would need to reconsider the selection.

We recommended that Treasury ensures that the Alabama Council selects its Centers of Excellence through a competitive process in accordance with the RESTORE Act and Treasury regulations prior to disbursing grant funds to the Alabama Council for funding Centers of Excellence. In its response, Treasury management committed to evaluating Alabama’s grant application to establish Centers of Excellence and to ensuring that the selection process and resulting selection address the requirements of the RESTORE Act and Treasury regulations before it disburses grant funds. We consider management’s commitment to be responsive to our recommendation.

(OIG-15-036)

Mississippi’s Center of Excellence Was Not Selected through Competitive Award

We found that Mississippi’s Center of Excellence was not selected through competitive award as required by the RESTORE Act. Instead, Mississippi’s Governor named the Center for Gulf Studies as the State’s Center of Excellence in March 2013, after receiving support from the Mississippi Research Consortium and the Mississippi Department of Environmental Quality (MDEQ).

We recommended that Treasury ensures that MDEQ selects its Centers of Excellence through a competitive process in accordance with the RESTORE Act and Treasury regulations prior to disbursing grant funds to MDEQ for funding Centers of Excellence. In response, Treasury management committed to evaluating MDEQ’s grant application and ensuring that the selection process and resulting selection address the requirements of the RESTORE Act and Treasury regulations before it disburses grant funds. We consider management’s commitment to be responsive to our recommendation.

(OIG-15-039)

Florida’s Center of Excellence Was Not Selected through Competitive Award

We found that the Florida’s Center of Excellence was not selected through competitive award as required by the RESTORE Act. Instead, acting on the belief that the RESTORE Act named the Florida Institute of Oceanography (FIO) as Florida’s Center of Excellence, FIO officials announced that FIO was that center in their June 2013 Annual Report to stakeholders. It was not until Treasury issued

RESTORE Act regulations in August 2014 that FIO officials determined that the organization's role was to serve as the State entity responsible for competitively awarding grants to establish Centers of Excellence rather than to serve as the Center of Excellence Program.

We recommended that Treasury ensures that FIO selects its Centers of Excellence through a competitive process in accordance with the RESTORE Act, Treasury regulations, and conditions of award prior to disbursing funds to FIO for funding Centers of Excellence. In its response, Treasury management committed to evaluating FIO's grant application to establish Centers of Excellence and ensuring that the selection process and resulting selection address the requirements of the RESTORE Act and Treasury regulations before it disburses grant funds. We consider Treasury's commitment to be responsive to our recommendation.
(OIG-15-041)

Treasury Addressed Prior OIG Recommendations to Establish Procedures for Investing and Expending Gulf Coast Restoration Trust Fund Monies

Our September 2013 report on Treasury's progress to establish procedures governing the investment and expenditure of Trust Fund monies in accordance with the RESTORE Act included three recommendations to management: (1) take necessary action to establish regulations for the Trust Fund, and to finalize internal Treasury procedures for the Trust Fund; (2) ensure that Treasury's proposed regulations address how it intends to meet the requirements of 31 U.S.C. §9702 for investment of the Trust Fund; and (3) ensure that the Fiscal Service, working with the administrators of each Trust Fund Component, establishes an investment strategy that takes into account projected outlays.³ We verified that Treasury addressed our recommendations. However, we did note that corrective actions to finalize internal procedures for the Trust Fund occurred after the recommendation was reported as closed in Treasury's audit recommendation tracking system, the Joint Audit Management Enterprise System (JAMES). At our request, Treasury revised JAMES to show the actual completion date for the Trust Fund internal operating procedures.
(OIG-15-046)

³ OIG, *RESTORE ACT: Treasury Needs to Establish Procedures to Expend and Invest Gulf Coast Restoration Trust Fund Monies* (OIG-13-052; issued Sep. 24, 2013).

Gulf Coast Ecosystem Restoration Council Expenditures Did Not Administer Programs and Activities Susceptible to Significant Improper Payments

Based on the results of the Gulf Coast Ecosystem Restoration Council's fiscal year 2014 financial statement audit, we determined that the Council did not administer programs and activities susceptible to improper payments during the fiscal year. That is, total program and activity expenditures were less than \$1 million, and therefore, did not meet the threshold and reporting requirements for programs and activities susceptible to significant improper payment specified in OMB Circular No. A-123, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments.

(OIG-15-CA-012)

Office of Investigations – Significant Investigations

Civil Settlement Reached in a Fraudulent Billing Practice Scheme

Our joint investigation with OIGs from FDIC, General Services Administration, TIGTA, and the Department of Defense determined that Treasury and other Government agencies were overcharged by the United Parcel Service (UPS). UPS knowingly recorded inaccurate delivery times for a 10-year period thereby benefiting from on-time performance awards. UPS entered into a civil settlement agreement with the Department of Justice where the company agreed to pay the Government \$25 million, plus interest at a rate of 1 percent per annum.

Fiscal Service Employee Resigns Pending Termination for Inappropriate Contact with Co-Worker

Our investigation substantiated an allegation that a Fiscal Service employee made inappropriate physical contact with another Fiscal Service employee and also misused Government IT equipment. Fiscal Service proposed removing the employee from Federal Service. The employee resigned prior to the final personnel action.

Subject Arrested for Wire Fraud and Social Security Benefit Fraud

Our joint investigation with the Social Security Administration (SSA) OIG determined that a subject received approximately \$109,000 in improper Social Security benefits. Additionally, the subject improperly used a Social Security number to access the bank accounts of two elderly individuals. The subject took control of the bank accounts and received approximately \$700,000 through automated teller machine withdrawals. The subject was indicted and arrested for violations of Wire Fraud and Social Security Benefit Fraud.

Individual Pleads Guilty to Conspiracy to Commit Theft of Public Money

Our joint investigation with IRS and the District of Columbia Office of Tax and Revenue determined that between August 2011 and January 2013, several individuals conspired to commit theft of public money. The main conspirator was involved in the filing of false income tax returns to obtain tax refunds, which were then deposited into bank accounts under his control. Approximately 167 fraudulent Federal income tax refunds were received, totaling at least \$322,295. The main conspirator was indicted in the District of Maryland and pled guilty to 1 count of Conspiracy to Commit Theft of

Public Money, and has agreed to pay restitution in the amount of \$408,221. Judicial action is ongoing in this case.

Contractor Agrees to a Civil Settlement Involving Treasury Program

Our investigation determined that a contractor overcharged Treasury's 1603 Program—Payments for Specified Energy Property in Lieu of Tax Credits, a program created under the Recovery Act. Specifically, the contractor inflated costs between 89 and 414 percent on 35 applications it submitted to the program. In a settlement with the U.S. Attorney's Office, District of Colorado Civil Division, the contractor agreed to pay \$387,000 to resolve civil claims.

Two Subjects Indicted for Submitting Fraudulent Recovery Act Applications

Our joint investigation with the Department of Energy OIG and Federal Bureau of Investigation (FBI) led to an indictment of a brother and sister in Arizona for conspiring to submit fraudulent applications and invoices to receive approximately \$338,000 in grant funds for solar projects under Section 1603 of the Recovery Act.

Two Individuals Plead Guilty to Conspiracy to Defraud the U.S.

Our joint investigation with the U.S. Secret Service and IRS determined that between July 2012 and January 2013, two individuals were involved in a conspiracy to defraud the U.S. of approximately \$282,000 in stolen Treasury checks. One conspirator provided the stolen checks to the second conspirator, who subsequently deposited the checks into a business bank account. Both conspirators were indicted in the U.S. District Court in the Middle District of Georgia for Conspiracy to Defraud the U.S., and have pled guilty. One conspirator was sentenced to 21 months of incarceration, the second conspirator was sentenced to 24 months of incarceration, and both were ordered to pay restitution in the amount of \$282,561.

Subject Pleads Guilty for Fraudulently Negotiating Treasury Checks

Our joint investigation with SSA OIG determined that a subject and two co-conspirators in central Florida fraudulently altered and negotiated approximately \$35,000 in Treasury checks, as well as used stolen identification documents to negotiate fraudulent checks at numerous stores of a grocery chain in the Orlando, Florida, area. The loss to grocery chain was in excess of \$150,000. The subject pled guilty to 1 count each of Theft of Government Funds, Aggravated Identity Theft, and

Corporate Securities Fraud. The investigation is ongoing and criminal charges are anticipated for the two co-conspirators.

Former Treasury Employee Pleads Guilty to Theft and Conversion of Government Funds

Our investigation determined that between October 2010 and January 2013, a Treasury employee, prior to the individual's retirement, charged approximately \$142,000 in 62 separate transactions using Treasury-issued purchase cards for the purported purchase of office supplies and equipment. In fact, no office supplies or equipment were purchased. The Treasury employee colluded with a vendor in which the vendor would charge the Government purchase card and then wire a large portion of the transaction amount into the employee's personal bank account. In the Federal District Court of Maryland, the former Treasury employee pled guilty to Theft and Conversion of Government Funds and agreed to pay restitution in the amount of \$142,000. Sentencing of the former Treasury employee and further judicial action for prosecution of the co-conspirator is pending in this case.

Subject Indicted for Theft of U.S. Savings Bonds, Wire Fraud, and Identity Theft

Our investigation determined that a subject fraudulently redeemed stolen paper U.S. Savings Bonds totaling \$74,735 through a Treasury Direct account. To accomplish this fraud scheme, the subject used the victim's personal information to establish a Treasury Direct account in the victim's name, converted the paper savings bonds to electronic bonds, and subsequently deposited the funds into the subject's personal bank account. The subject was indicted in the Central District of California for 2 counts of Theft of Government Money or Property, 1 count of Wire Fraud, and 1 count of Aggravated Identity Theft.

Subject Indicted and Arrested for Negotiating Stolen U.S. Savings Bonds

Our investigation determined that a subject fraudulently redeemed stolen U.S. Savings Bonds. In April 2009, 41 savings bonds were reported stolen from a church in Detroit, Michigan. Rather than replace the bonds, the church opted to receive a check from the Treasury for \$86,528. Between June 2013 and October 2014, 35 of the stolen bonds had been redeemed resulting in a loss to the Government of \$70,936. The subject was indicted in the Eastern District of Michigan and arrested on 9 counts of Theft of Public Money or Property. Additional judicial action is pending in this case.

Subject Pleads Guilty to Theft of Government Property

Our joint investigation with IRS determined that a subject cashed over 200 Treasury checks at a money services business in South Carolina. Nearly all of the checks cashed were addressed to locations outside of the State. Numerous documents and fraudulently obtained Treasury checks were located in the subject's residence during a consent search. The subject was indicted and pled guilty to Theft of Government Property. Sentencing is pending.

Subject Pleads Guilty to Wire Fraud and Aggravated Identity Theft

Our joint investigation with the Department of Homeland Security's Homeland Security Investigations, IRS, SSA OIG, and the U.S. Postal Inspection Service determined that a citizen of the Ivory Coast living in Virginia used assumed identities to commit financial crimes. The subject claimed to be a tax preparer and filed false tax returns, and diverted tax refunds to bank accounts that he controlled. The subject pled guilty to Wire Fraud and Aggravated Identity Theft. Sentencing is pending.

Subject Pleads Guilty in a Scheme to Defraud a Citizen that Had an Outstanding Debt with Treasury

Our investigation determined that a letter sent to a citizen who owed a debt to Treasury was fraudulent. As a result of the fraudulent letter, which purported to be from Treasury, the debtor paid a fraudulent credit company to pay off the debt. The owner of the fraudulent credit company was identified and the subject pled guilty to 1 count of Grand Theft and 1 count of Identity Theft. The subject was sentenced to 120 days in prison, prohibited from operating or participating in any business involving financial debt consulting or credit repair services, and ordered to make restitution in the amount of \$12,854.

Subject Sentenced for Theft of Treasury Checks

Our joint investigation with the Montgomery County, Maryland, Police Department and TIGTA determined that a tax preparer used a customer's name and other personal information to file a fraudulent tax return addressed to the tax preparer's address. The tax preparer was arrested on charges of Forgery, Identity Theft, Theft, and Conspiracy. The tax preparer pled guilty to Theft and was sentenced to a 60-month suspended jail sentence, 18 months of supervised probation, a fine of \$1,000, and restitution in the amount of \$5,431.

Subject Sentenced for Fraudulent Receipt of District of Columbia Retirement Board Benefits

Our investigation with the Virginia State Police determined that a subject fabricated and submitted fraudulent documents to the District of Columbia Retirement Board to continue receiving benefits for a daughter, which the subject otherwise would no longer be eligible to receive. The subject was sentenced in Virginia District Court to 12 months of suspended incarceration and ordered to pay restitution of \$2,736 for violation of Virginia Code, Petit Larceny.

United States Mint Employee Suspended for Viewing Pornography at Work

Our investigation substantiated an allegation that a United States Mint supervisor was viewing pornographic images on his Government-issued computer while on duty in October 2014. In response to our findings, the supervisor received a 10-day suspension.

Bank Examiner Receives 5-Day Suspension for Misuse of Government Travel Card

Our investigation determined that an OCC bank examiner misused a Government-issued travel card by routinely obtaining cash advances while on official travel even though the actual expenses of the official travel were paid by the Government travel card. The cash advances were not paid back in a timely manner. The examiner continued this activity for several months, after being advised by a supervisor to discontinue taking cash advances and to pay the balances off in full. The OCC employee received a 5-day suspension.

Departmental Offices Employee Fails to Notify Agency of Off-Duty Arrests

Our investigation substantiated an allegation that a Department Offices employee failed to notify Treasury's Office of Security Programs of multiple off-duty arrests, which is required by Treasury Policy. The employee's security clearance was suspended pending a review of the employee's actions. The employee's clearance was subsequently reinstated after the review was completed.

Following is information related to significant investigative activities from prior semiannual periods.

Multiple Subjects Arrested, Plead Guilty, and Sentenced in Massive Identity Theft and Tax Fraud Scheme

As reported in previous semiannual periods, our joint investigation with IRS and the U.S. Postal Inspection Service revealed that multiple subjects had conspired to defraud the Federal Government by producing at least 12,000 fraudulent Federal income tax returns using stolen identities, and negotiating the resulting tax refund payments, totaling at least \$40 million, for personal gain.

Update: During the reporting period, five subjects pled guilty to charges and one subject was arrested in the identify theft and tax fraud scheme. The first subject was sentenced to 41 months in prison, 60 months of probation, and was ordered to pay \$636,826 in restitution. A second subject was sentenced to 90 days in prison, 60 months of probation, and was ordered to pay \$90,677 in restitution. A third subject was sentenced to 50 days in prison, 60 months of probation, and ordered to pay \$145,351 in restitution. A fourth subject was sentenced to 4 months in prison, 60 months of probation, and \$57,900 in restitution. A fifth subject pled guilty; this fifth subject faces a sentence of 24 to 30 months in prison, a fine of up to \$50,000, and restitution in the amount of \$230,480. A sixth subject was arrested on Federal charges of Conspiracy to Defraud the Government with Respect to Claims, Conspiracy, and Theft of Government Funds. To date, 20 search warrants and 3 arrest warrants have been executed in this case, and 23 subjects have pled guilty. In addition, 8 defendants have been sentenced. The case is ongoing and more arrest warrants and prosecutions are anticipated. The case is being prosecuted by the U.S. Attorney’s Office in the District of Columbia, in the District of Maryland (Greenbelt Office), and by the Department of Justice Tax Division.

Individuals Indicted on Criminal Violations under the Racketeer Influenced and Corrupt Organization and Street Gang and Terrorism Prevention Acts

As reported in a previous semiannual period, our joint investigation with the U.S. Secret Service, IRS, and Bibb County, Georgia, Sheriff’s Office determined that between April and June 2014, several individuals were involved in a large-scale identity-theft operation/criminal organization. The group was involved in the filing of false income tax returns, as well as with using stolen identities and fraudulently obtained credit cards, to send money to local jail inmates who were trying to make bond. Eighteen (18) individuals were indicted for violations of the Racketeer Influenced

and Corrupt Organization Act and the Street Gang and Terrorism Prevention Act. In March 2015, one subject pled guilty and was sentenced to 180 months in prison.

Update: During this semiannual reporting period, a trial date of November 2015 was scheduled for the other subjects.

Subject Enters Plea Agreement to Charges of Theft of Treasury Checks and Identity Theft

As reported in a previous semiannual period, our joint investigation with IRS and the U.S. Postal Inspection Service determined that, as early as 2009, a subject had been stealing Federal funds by fraudulently obtaining and negotiating Treasury checks, resulting in over \$2.5 million in losses to the Government. As part of a plea agreement, the subject consented to forfeiture of approximately \$5.6 million.

Update: During this semiannual reporting period, the subject pled guilty to 1 count each of Conspiracy to Defraud the U.S., Receipt of Stolen Government Funds, and Conspiracy to Commit Wire Fraud and was sentenced to 84 months of imprisonment, and 36 months of supervised probation following the term of imprisonment.

Subjects Plead Guilty to Fraud against a Treasury Program

As reported in a previous semiannual period, our joint investigation with the FBI and the Department of Justice Public Integrity Section determined that Federal funds had been misused by grant recipients under the Recovery Act Section 1602 program. Two subjects, one of whom was the chief procurement officer for the Territory of American Samoa, pled guilty to misapplying approximately \$400,000 for personal use.

Update: The subjects were each sentenced to 8 months of home detention, 48 months of supervised probation, and a joint restitution in the amount of \$399,936. A third subject was charged and pled guilty to Theft of Government Money. The third subject was sentenced to 36 months of supervised probation and restitution in the amount of \$30,673.

Bank Officer Sentenced for Fraud

As reported in a previous semiannual period, our joint investigation with the FBI and FDIC OIG determined that the president of First National Bank of Davis, Davis, Oklahoma, collaborated with a bank customer to commit fraud by attempting to hide the bank's true financial condition from the bank's board of directors and OCC.

Specifically, the Bank’s former president fraudulently designated millions of dollars as “nominee” bank loans that were made to “straw borrowers” to cover over existing delinquent loans, leading to the bank’s failure in March 2011. The former president pled guilty to 1 count of Bank Fraud and was sentenced to 24 months in prison and restitution in the amount of \$14.7 million. The co-conspirator was found guilty of 4 counts of Bank Fraud and was awaiting sentencing in the U.S. District Court for the Eastern District of Oklahoma.

Update: During this reporting period, the co-conspirator was sentenced to 87 months of incarceration, ordered to pay restitution of \$3.2 million to the FDIC, and 3 years of supervised probation upon release from prison.

Indictments Obtained for Two Subjects Involved in Internet Scam

As reported in a previous semiannual period, our office received a telephone call from a citizen who had been the victim of a “black money” internet scam, by which the victim is duped into believing that he or she is the beneficiary of a large sum of money. Over the course of multiple communications between victim and scammer, the victim was informed of a series of various fees, taxes, and other expenses that the victim must pay before the windfall funds can be released. In this case, the scammer actually met with the victim, claiming to be a Treasury official and producing a Treasury credential. The subject was arrested for Conspiracy to Commit Wire Fraud and, on March 6, 2015, both the subject and an assistant were issued a 41-count superseding indictment for charges of Conspiracy to Commit Wire Fraud, Wire Fraud, Impersonation of an Officer or Employee of the U.S., and Aggravated Identity Theft. Our investigation has identified 15 victims and an estimated minimum loss of approximately \$386,000.

Update: During this reporting period, the subject of this investigation pled guilty to 1 count each of Conspiracy to Commit Wire Fraud, Wire Fraud, and Impersonation of an Employee of the U.S. A sentencing date has been scheduled for December 2015. An outstanding arrest warrant remains active for the subject’s co-conspirator, who has fled the country.

Software Developer Pleads Guilty to Theft of Government Property

As reported in a previous semiannual period, our joint investigation with the FBI determined that a software development contractor hired by Fiscal Service improperly transmitted an encrypted archive to a personal electronic mail address, and then uploaded the contents to Google cloud storage. The archive contained developmental

software pertaining to source code that is a critical element of Fiscal Service’s financial infrastructure. The contractor pled guilty to 1 count of Theft of Government Property, and agreed to restitution in the amount of \$246,234.⁴

Update: During this reporting period, the subject was sentenced to 5 years of probation and ordered to make restitution in the amount of \$246,234 to the Government.

Multiple Subjects Indicted for United States Mint Purchases Using Stolen Identifications

As reported in a previous semiannual period, our joint investigation with the U.S. Secret Service, Department of Homeland Security, and the U.S. Postal Inspection Service determined that multiple subjects had conspired to commit identity fraud, theft, and access device fraud by obtaining the personally identifiable information of U.S. citizens. These subjects used the stolen identities to make debit card purchases of United States Mint products and items from home goods stores, then quickly canceled the transactions to obtain refunds on the stolen debit cards.

Update: During this reporting period, 2 subjects were indicted for violations of Conspiracy to Commit Bank Fraud, Access Device Fraud, Aiding and Abetting, and Aggravated Identity Theft. To date, this case has resulted in 8 arrests, 2 Federal convictions, a total of 105 months in prison time, 108 months of probation, and restitution in the amount of \$670,181.

Former Medical Center Employee Sentenced for Identity Theft

As reported in previous semiannual periods, our joint investigation with the U.S. Secret Service and IRS determined that a former medical center employee abused her access to patient records to commit identity fraud. Specifically, the subject fraudulently used the stolen identity information to file for Federal income tax refunds to which she was not entitled. The subject pled guilty to 1 charge of Conspiracy, and was sentenced to 60 months of probation and \$6,500 in restitution. To date, this case has resulted in 15 arrests, 6 Federal convictions, a total of 40 years in prison sentencing and 24 years of probation, and approximately \$1.75 million in restitution.

⁴ The restitution amount was reported as \$246,433 in our March 2015 Semiannual Report to Congress. The amount should be \$246,234.

Update: Additional Federal prosecution of three to five subjects is anticipated in this case.

Subject Charged with Theft of Public Funds for Facilitating the Negotiation of Stolen Treasury Checks

Our joint investigation with IRS and the U.S. Secret Service determined that an organized group of co-conspirators participated in a scheme where stolen Treasury checks were negotiated at multiple money services (check cashing) businesses.

Update: During the reporting period, one subject was arrested and charged with Theft of Public Funds. To date, two subjects have been arrested and judicial action is pending against the subjects. Multiple search warrants have been executed and more arrests are anticipated in this case.

Mortgage Fraud Subject Sentenced

Our joint investigation with the U.S. Secret Service, Department of Homeland Security's Homeland Security Investigations, and the OIGs from the Housing and Urban Development and the Federal Housing Finance Agency into a complex mortgage fraud conspiracy has resulted in the indictment and sentencing of one subject. The subject played the role of a "straw purchaser" of residences as part of a conspiracy that ultimately cost several banks over \$3.5 million in fraudulently-obtained loans. The subject pled guilty to 1 count of Conspiracy to Commit Wire Fraud, 2 counts of Wire Fraud, and 2 counts of False Statements on a Loan Application, and was sentenced to 27 months in prison and restitution in the amount of \$511,146.

Update: During this reporting period, the case was closed. This case resulted in 6 arrests, 6 Federal convictions, a total of 17 years in prison time and 22 years of probation, and approximately \$6 million in restitution.

Other OIG Accomplishments and Activity

Treasury OIG Testifies on the DATA Act

On July 29, 2015, **Bob Taylor**, Deputy Assistant Inspector General for Financial Management and Transparency Audits, Treasury OIG; and three others—Gene Dodaro, Comptroller of the United States, Government Accountability Office; David Mader, Controller, Office of Federal Financial Management, OMB; and David Lebryk, Fiscal Assistant Secretary, Treasury—testified before a joint hearing conducted by the House Oversight and Government Reform Subcommittees on Information Technology and Government Operations of the House Committee on Oversight and Government Reform. The hearing was held to examine Treasury and OMB efforts to implement the DATA Act.

Mr. Taylor presented to the subcommittees the results of the OIG’s recent oversight report on Treasury and OMB efforts to meet their responsibilities under the DATA Act as of October 31, 2014.⁵ The report, a first of a series on DATA Act implementation efforts, is discussed earlier in this document. Mr. Taylor also told the subcommittees that Treasury OIG has started a second audit in the series, focusing on the status of the implementation as of May 31, 2015, and initiated a review of the DATA Act implementation from the perspective of Treasury as a data reporting agency.

(OIG-CA-15-023)

FSOC’s Monitoring of Interest Rate Risk to the Financial System

Dodd-Frank established the Financial Stability Oversight Council (FSOC), and among other things, charged it with identifying risks to the nation’s financial stability and with making recommendations to Federal agencies and others. It also requires FSOC to report to Congress annually about its activities and recommendations. Dodd-Frank also created the Council of Inspectors General on Financial Oversight (CIGFO), and authorizes CIGFO to evaluate the effectiveness and internal operations of FSOC. In May 2014, CIGFO convened a working group to assess the extent to which FSOC is monitoring interest rate risk to the financial system.

The working group found that FSOC mainly monitors interest rate risk in two ways, by making recommendations in its annual reports and by sharing and coordinating

⁵ *Treasury Is Making Progress in Implementing the DATA Act But Needs Stronger Project Management* (OIG-15-034; issued May 19, 2015)

information among FSOC members. FSOC's 2013 annual report to Congress included an interest rate risk recommendation related to pension funds, but its 2014 annual report did not include the recommendation and FSOC did not document in its report the rationale for removing the recommendation. FSOC Secretariat staff told CIGFO's working group that FSOC relied on the collective judgment of its members to determine whether to continue any recommendations from the prior year and that the FSOC working group analyses indicated that the interest rate risk stemming from pension funds was more of an economic issue than a financial stability concern.

To further increase transparency around monitoring of interest rate risk, the CIGFO working group recommended that FSOC document in its annual report to Congress its rationale for removing prior year recommendations related to interest rate risk. In its response, FSOC did not specifically agree or disagree with the working group's recommendation. Instead, FSOC commented that to the extent it no longer recommends action related to a risk area identified in the prior annual report, FSOC will consider how to provide additional information regarding its analysis. To the extent that FSOC intends to include the rationale for removing recommendations in its annual reports, the CIGFO working group considers FSOC's comments and planned action responsive to its recommendation. **(CIGFO-2015-001)**

OIG Audit Leadership Roles

Treasury OIG's professionals serve on various important public and private professional organizations supporting the Federal audit community. Examples of participation in these organizations follow:

Marla Freedman, Assistant Inspector General for Audit, chairs the Federal Audit Executive Council's DATA Act Working Group. The Working Group, consisting of over 50 volunteers representing more than 20 OIGs, was exceptionally productive during this semiannual period. Among other things, the Working Group (1) established a protocol for the DATA Act-required consultation process between the OIGs and GAO, the protocol consisting at this point of monthly joint meetings where much information and ideas have been exchanged; (2) kept tabs through meetings with Treasury and accessing public websites on Treasury/OMB's Government-wide implementation efforts; (3) briefed Congressional staff about the Inspector General Community's DATA Act efforts; (4) drafted a methodology for performing DATA Act "readiness" reviews at agencies; and (5) kept the Council of Inspectors General on Integrity and Efficiency (CIGIE) Audit Committee and the full CIGIE currently informed on DATA Act matters.

Bob Taylor and **Jeff Dye**, Audit Director, regularly teach modules of the Introductory Auditor course sponsored by the CIGIE Training Institute.

Donna Joseph, Deputy Assistant Inspector General for Cyber and Financial Assistance Audits, serves as the National Single Audit Coordinator for Treasury, and is a member of the American Institute of Certified Public Accountants' (AICPA) National Government Accounting and Auditing Update planning committee.

Lisa Carter, Acting Deputy Assistant Inspector General for Financial Sector Audits, serves as the Treasurer for the Association of Inspectors General D.C. Chapter, an organization of Federal, State, and local inspector generals. Ms. Carter is also a member of its Training committee. On September 14, 2015, the D.C. Chapter held a session on Innovation in the Inspectors General Community at which David Williams, Inspector General for the U.S. Postal Service OIG spoke on using technology and data analytics to focus resources and improve results of investigations and audits.

Jim Lisle, Audit Director, and **Bob Taylor**, spoke on DATA Act oversight at the Mid-Atlantic Intergovernmental Audit Forum held in Ocean City, Maryland, on June 3-5, 2015, and at the Association of Government Accountants' Internal Control & Fraud Prevention Training held in Washington, D.C., on September 15-16, 2015.

Kieu Rubb, Audit Director, is serving on the AICPA's Government Performance and Accountability Committee. The committee is comprised of 13 members representing Federal, State, and local government, and education.

OIG Hosts Delegate from Papua New Guinea Department of Justice

On August 4, 2015, **Inspector General Eric Thorson** and other OIG executives met with **Mr. Sam Koim**, Principal Legal Officer, Attorney General, and Chairman of the Investigation Task Force Sweep with Papua New Guinea's Department of Justice to discuss the mission of U.S. Government Inspectors General and the Treasury OIG. In his role as the Chairman of the Investigation Task Force Sweep, Mr. Koim manages a multi-agency investigation team of more than 10 Papua New Guinea Government agencies that investigate corruption in the New Guinea Government.

Continuing Professional Education Symposium

The Office of Audit held its biennial continuing professional education symposium the week of August 3-7, 2015, at the Airlie Center in Warrenton, Virginia. In attendance

were 102 OIG staff members, as well as 6 auditors from the Department of Labor OIG. The symposium's theme—Our Role in Government Accountability and Transparency—provided over 40 hours of quality training in the areas of (1) appropriations law, (2) audit criteria, (3) communication, (4) critical thinking, (5) data analytics, and (6) leadership. At plenary sessions, the attendees heard from subject matter experts on topics such as auditing for fraud, business writing, whistleblower protection, what to expect from the current Congress, the Federal budget outlook, indexing and referencing of audit work, and a look into the future of Government and the auditing profession.

The Fifth Annual Treasury OIG Awards

On May 21, 2015, Treasury OIG held its fifth annual awards program in the Cash Room of the Treasury Building. The program recognized the achievements and outstanding performance of OIG staff during calendar year 2014. Presented were 15 Individual Achievement Awards, 9 Teamwork Awards, 1 Customer Service Award, and 1 Rookie of the Year Award. Also awarded was the Inspector General Leadership Award, the highest honor bestowed on an OIG employee.

Inspector General Thorson presented awards to the following recipients:

Inspector General Leadership Award

Rich Delmar, Counsel to the Inspector General

Individual Achievement Award

Theresa Cameron, Jonathan Fraller, Daniel Harding, Eleanor Kang, Christopher LeFever, Jeff Lawrence, James Lisle, Jason Madden, Latania Maise, Jerry Marshall, Kieu Rubb, Amni Samson, Anthony Scott, Christen Stevenson, and Thomas Trimble

Intra-Component Teamwork Award

Audit of Managed Cloud Services Team

Jason Beckwith, Tram Dang, Daniel Jensen, Don'te Kelley, Larissa Klimpel, Robert Kohn, and Mike Patel

Direct Express Audit Team

Alexander Granado, Andrea Smith, Christen Stevenson, and David Younes

Do Not Pay Audit Team

John Gauthier, James Lisle, Christen Stevenson, and David Younes

Gulf Coast Ecosystem Restoration Council Financial Audit Oversight Team

Rufus Etienne, Mark Levitt, and Shiela Michel

OCC Foreclosure Consent Orders Audit Team

Jeff Dye, James Lisle, Vicki Preston, and Virginia Shirley

OCC JPMorgan Chase London Whale Audit Team

Theresa Cameron, Dana Duvall, Jeff Dye, and April Ellison

OCC Personnel Practices Audit Team

Theresa Cameron, Jeff Dye, Maria McLean, Andrew Morgan, Mark Ossinger, Clyburn Perry, III, and Olivia Scott

Inter-Component Teamwork Award

Office of Counsel and Office of Investigations

Procurement Integrity Investigation Team

Amy Altemus, Rich Delmar, John Phillips, and Sonja Scott

Office of Counsel and Office of Investigations

Protection of Treasury Seals and Symbols Team

Amy Altemus and Jonathan Fraller

Customer Service Award

Susan Holsey

Rookie of the Year Award

Dionne Smith



*Rich Delmar Receiving the
Inspector General Leadership Award from
Inspector General Thorson*

Statistical Summary

Summary of OIG Activity

For the 6 months ended September 30, 2015

OIG Activity	Number or Dollar Value
Office of Counsel Activity	
Regulation and legislation reviews	2
Instances where information was refused	0
Office of Audit Activities	
Reports issued and other products	40
Disputed audit recommendations	0
Significant revised management decisions	0
Management decision in which the Inspector General disagrees	0
Monetary benefits (audit)	
Questioned costs	\$1,866,295
Funds put to better use	\$47,052,796
Total monetary benefits	\$48,919,091
Office of Investigations Activities	
Criminal and judicial actions (including joint investigations)	
Cases referred for prosecution and/or litigation	42
Cases accepted for prosecution and/or litigation	11
Arrests	3
Indictments/informations	14
Convictions (by trial and plea)	23

Significant Unimplemented Recommendations

For reports issued prior to October 1, 2014

The following list of OIG reports with significant unimplemented recommendations is based on information in Treasury’s automated audit recommendation tracking system, which is maintained by Treasury management officials, and recommendations tracked by other Federal organizations related to OIG’s oversight of the RESTORE Act programs and activities of the Gulf Coast Ecosystem Restoration Council (Council) and the NOAA’s Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Program.

Treasury Programs and Operations

Number	Date	Report Title and Recommendation Summary
OIG-11-036	11/10	<p data-bbox="532 867 1437 947"><i>Information Technology: Treasury Is Generally in Compliance with Executive Order 13103</i></p> <p data-bbox="532 953 1485 1549">The Chief Information Officer should (1) revise Treasury Directive 85-02 to (a) define authorized software more specifically, (b) require heads of bureaus and offices to ensure that software in their inventory is on the Treasury list of authorized software and remove it if it is not, (c) require the Chief Information Officer to perform periodic audit checks to determine if the bureaus and offices are only using software on the Treasury list of authorized software, and (d) require the bureaus and offices to reconcile their inventory with software license agreements rather than with software purchases; (2) develop procedures to create and manage a list of approved enterprise authorized software; and (3) ensure that bureaus remove unauthorized software from Treasury systems. (3 recommendations)</p>
OIG-13-034	3/13	<p data-bbox="532 1633 1485 1759"><i>The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2012</i></p> <p data-bbox="532 1766 1485 1892">The Assistant Secretary for Management should ensure that Treasury submits a comprehensive plan to Congress that includes a description of the corrective actions Treasury will</p>

take to remediate noncompliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) due to IRS' Earned Income Tax Credit (EITC) improper payments reporting deficiencies. (1 recommendation)

OIG Comment: This recommendation was repeated during our audit of Treasury's compliance with IPERA in fiscal years 2013 and 2014.⁶

OIG-14-011 12/13 *Audit of the Department of the Treasury's Fiscal Years 2013 and 2012 Financial Statements*
 The Assistant Secretary for Management and the Deputy Chief Financial Officer should ensure that IRS (1) takes corrective action to improve controls over financial reporting (2) implements its remediation plan outlining actions to be taken to resolve noncompliance with the Federal Financial Management Improvement Act requirements and the resources and responsible organizational units for such planned actions. (2 recommendations)

OIG-14-014 12/13 *General Management: OCC's Leasing Activities Conformed With Applicable Requirements; Issues With the Former OTS Headquarters Building Need to be Resolved*
 The Comptroller of the Currency should (1) implement the actions that GAO determines are necessary from its review of the Office of the Comptroller of the Currency's (OCC) authority to retain rental income received from leased space at the former Office of Thrift Supervision (OTS) headquarters building, as well as proceeds from any future sale of the property, and (2) reassess its continued involvement with the property, or whether the property should be sold. (2 recommendations)

OIG Comment: In an August 2015 letter to Inspector General Thorson, the GAO stated that the amounts OCC receives

⁶ *The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013* (OIG-14-032; issued Apr. 15, 2014) and *Treasury's Improper Payment Reporting Needs Improvement* (OIG-15-033, issued May 15, 2015)

through its lease of the former OTS headquarters building may be retained and used by OCC, and need not be deposited into the general fund of the Treasury as miscellaneous receipts. GAO, *Office of the Comptroller of the Currency—Disposition of Amounts Received Through Its Lease of Office Space* (B-324857; issued August 6, 2015).

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- | | | |
|------------|------|--|
| OIG-14-018 | 1/14 | <p><i>Management Report for the Audit of the Bureau of the Fiscal Service’s Fiscal Years 2013 and 2012 Schedules of Non-Entity Government-wide Cash (Sensitive But Unclassified)</i></p> <p>Due to the sensitive nature of the findings and recommendations, we designated the report sensitive but unclassified. (1 recommendation)</p> |
| <hr/> | | |
| OIG-14-025 | 2/14 | <p><i>Management Letter for the Audit of the Office of Comptroller of the Currency’s Fiscal Years 2013 and 2012 Financial Statements</i></p> <p>OCC management should continue with its existing corrective action to develop an executable recovery strategy for its network. Once a strategy is developed, it should be tested to ensure that it can be executed. (1 recommendation)</p> |
| <hr/> | | |
| OIG-14-032 | 4/14 | <p><i>The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013</i></p> <p>The Secretary of the Treasury or designee, in no later than 30 days, submit to Congress either reauthorization proposals or proposed statutory changes necessary to bring the EITC program into compliance with IPERA. (1 recommendation)</p> |
| <hr/> | | |
| OIG-14-033 | 4/14 | <p><i>Safety and Soundness: Material Loss Review of First National Bank</i></p> <p>OCC should expand examiner guidance in the Loan Portfolio Management booklet to provide instructions regarding the proper accounting treatment for nonaccrual loans, including the</p> |

accounting for payments received on these loans.
(1 recommendation)

OIG-14-044 8/14 *Safety and Soundness: OCC Needs to Ensure Servicers Implement Amended Foreclosure Consent Orders and Act on Identified Weaknesses*
The OCC should determine, in conjunction with the Board of Governors of the Federal Reserve System (FRB), the disposition of funds remaining in Qualified Settlement Funds after the distribution is complete. (1 recommendation)

OIG-CA-14-012 7/14 *Enforcement Actions and Professional Liability Claims Against Institution-Affiliated Parties and Individuals Associated with Failed Institutions*
The (1) FDIC, FRB, and OCC should consider the need to (a) increase their level of written enforcement action coordination to meet the requirements of Federal Register policy statement 62 Fed. Reg. 7782, or (b) revise the policy statement to reflect the Regulators' current level of coordination and (2) FRB and OCC should advise their regulated institutions about insurance policy exclusions.
(2 recommendations)

Other Federal Agency Programs and Operations

OIG-14-003 10/13 *Gulf Coast Ecosystem Restoration Council Faces Challenges in Completing Initial Comprehensive Plan*
The Chairperson of the Council should continue to work with Council members towards developing the Comprehensive Plan to include all elements required by the RESTORE Act.
(1 recommendation)

Summary of Instances Where Information or Assistance Request Was Refused

April 1 through September 30, 2015

There were no instances where an information or assistance request was refused for this reporting period.

Listing of Audit Products Issued

April 1 through September 30, 2015

Office of Audit

Safety and Soundness: Failed Bank Review of First National Bank of Crestview, Crestview, Florida, OIG-15-028, 4/6/2015

Review of the Gulf Coast Ecosystem Restoration Council's Compliance with Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2014, OIG-15-CA-012, 4/7/2015

Safety and Soundness: Failed Bank Review of Frontier Bank, Federal Savings Bank, Palm Desert, California, OIG-15-029, 4/8/2015

*Contract Audit: Crane & Co., Inc.'s Price Proposal for the Distinctive Currency Paper and Other Security Papers in Response to Solicitation No. BEP-RFP-14-0315, OIG-15-030, 4/8/2015 (Sensitive But Unclassified), **\$47,052,796 Funds Put to Better Use***

Audit Termination Memorandum—State Small Business Credit Initiative: Effectiveness of the State Small Business Credit Initiative, OIG-CA-15-013, 4/22/2015

Safety and Soundness: Material Loss Review of The National Republic Bank of Chicago, OIG-15-031, 5/8/2015

FIO's Consultation Process with State Insurance Regulators Could be Improved, OIG-15-032, 5/15/2015

Treasury's Improper Payment Reporting Needs Improvement, OIG-15-033, 5/15/2015

Treasury Is Making Progress in Implementing the DATA Act But Needs Stronger Project Management, OIG-15-034, 5/19/2015

Intelligence Community Inspector General Peer Review System Report, OIG-CA-15-015, 5/20/2015 (Classified)

Intelligence Community Inspector General Peer Review Letter of Comment, OIG-CA-15-016, 5/20/2015 (Classified)

Coordination of Responsibilities Among the Consumer Financial Protection Bureau and the Prudential Regulators—Limited Scope Review, OIG-CA-15-017, 6/1/2015

Presentation Before the Mid-Atlantic Intergovernmental Audit Forum—DATA Act: An Overview, OIG-CA-15-018, 6/4/2015

Bill Manufacturing: Audit of Incurred Costs on BEP's Public Education and Awareness Contract with Burson-Marsteller, OIG-15-035, 6/10/2015, **\$945,837 Questioned Cost**

Audit Memorandum—Bill Manufacturing: Contractor-Provided Meals to BEP Employees, OIG-15-CA-019, 6/10/2015

RESTORE Act: Alabama's Center of Excellence Was Not Selected Through Competitive Award, OIG-15-036, 6/10/2015

Survey Results—Department of the Treasury's Acquisition and Adoption of the Intelligence Community Information Technology Enterprise Services, OIG-CA-15-020, 6/22/2015

Report on a Classified Program, OIG-15-037, 6/25/2015 (Classified)

State Small Business Credit Initiative: Florida's Use of Federal Funds for Capital Access and Other Credit Support Programs, OIG-SBLF-14-002R, 6/26/2015 (Reissued)

State Small Business Credit Initiative: North Dakota Mandan Consortium's Use of Federal Funds for its Loan Participation Program, OIG-SBLF-14-013R, 6/26/2015 (Reissued)

Administrative Resource Center Operated Independently of Fiscal Service Funding, OIG-15-038, 7/1/2015

State Small Business Credit Initiative: West Virginia's Use of Federal Funds for Other Credit Support Programs, OIG-SBLF-14-004R, 7/2/2015 (Reissued)

State Small Business Credit Initiative: Idaho's Use of Federal Funds for Its Collateral Support Program, OIG-SBLF-14-010R, 7/2/2015 (Reissued)

State Small Business Credit Initiative: Illinois' Use of Federal Funds for Capital Access and Other Credit Support Programs, OIG-SBLF-14-005R, 7/9/2015 (Reissued)

Joint Purchase Card Violations Report, July 31, 2015, OIG-CA-15-021, 7/20/2015

RESTORE Act: Mississippi's Center of Excellence Was Not Selected Through Competitive Award, OIG-15-039, 7/22/2015

OSP Needs to Promptly Inform OIG of Potential Illegal Activity and Improve Other Processes, OIG-15-040, 7/27/2015

Classified Memorandum, OIG-CA-15-022, 7/27/2015 (Classified) This memorandum was issued in connection with report no. OIG-15-040 above.

Testimony on DATA Act Implementation: Statement of Robert A. Taylor, Deputy Assistant Inspector General for Audit, Department of the Treasury, Office of Inspector General, Before the House Committee on Oversight and Government Reform Subcommittee on Information Technology and Subcommittee on Government Operations, OIG-CA-15-023, 7/29/2015

RESTORE Act: Florida's Center of Excellence Was Not Selected Through Competitive Award, OIG-15-041, 7/30/2015

Information Technology: Fiscal Service's Management of Virtual Servers Needs Improvement, OIG-15-042, 8/19/2015

FSOC and OFR Data Requests Are Not Duplicative, OIG-15-043, 8/26/2015

Report on the Bureau of the Fiscal Service Administrative Resource Center's Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2014 to June 30, 2015, OIG-15-044, 8/26/2015

Recovery Act: Audit of Penascal Wind Power LLC Payment Under 1603 Program, OIG-15-045, 9/3/2015, **\$920,458 Questioned Cost**

Corrective Action Verification: Treasury Needs to Establish Procedures to Expend and Invest Gulf Coast Restoration Trust Fund Monies, OIG-15-046, 9/3/2015

Information Technology: Fiscal Year 2015 Audit of Treasury's Compliance with the Federal Information Security Modernization Act for its Intelligence Systems, OIG-15-047, 9/15/2015, (Classified)

Former Federal Inmate Debit Card Fees Were Comparable with Other Card Programs, but Documentation Supporting Financial Agent Agreements Was Lacking, OIG-15-048, 9/17/2015

Presentation to the Association of Government Accountants–DATA Act Update: 2015 Internal Control & Fraud Prevention Training, OIG-CA-15-024, 9/17/2015

Report on the Bureau of the Fiscal Service Federal Investments Branch's Description of its Investment/Redemption Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2014 to July 31, 2015, OIG-15-049, 9/24/2015

Report on the Bureau of the Fiscal Service Funds Management Branch's Description of its Trust Funds Management Processing Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period August 1, 2014 to July 31, 2015, OIG-15-050, 9/24/2015

Council of Inspectors General on Financial Oversight Working Group

Audit of the Financial Stability Oversight Council's Monitoring of Interest Rate Risk to the Financial System, CIGFO-2015-001, 7/27/2015

Annual Report of the Council of Inspectors General on Financial Oversight, August 2015

Audit Reports Issued with Questioned Costs

April 1 through September 30, 2015

Category	Total No. of Reports	Total Questioned Costs	Total Unsupported Costs
For which no management decision had been made by beginning of reporting period	1	\$44,908	\$0
Which were issued during the reporting period	2	\$1,866,295	\$0
Subtotals	3	\$1,911,203	\$0
For which a management decision was made during the reporting period	1	\$44,908	\$0
Dollar value of disallowed costs	1	\$44,908	\$0
Dollar value of costs not disallowed	0	\$0	\$0
For which no management decision was made by the end of the reporting period	2	\$1,866,295	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0

Audit Reports Issued with Recommendations that Funds Be Put to Better Use

April 1 through September 30, 2015

Category	Total No. of Reports	Total	Savings	Revenue Enhancement
For which no management decision had been made by beginning of reporting period	0	\$0	\$0	\$0
Which were issued during the reporting period	1	\$47,052,796	\$47,052,796	\$0
Subtotals	1	\$47,052,796	\$47,052,796	\$0
For which a management decision was made during the reporting period	0	\$0	\$0	\$0
Dollar value of recommendations agreed to by management	1	\$47,052,796	\$47,052,796	\$0
Dollar value based on proposed management action	1	\$47,052,796	\$47,052,796	\$0
Dollar value based on proposed legislative action	0	\$0	\$0	\$0
Dollar value of recommendations not agreed to by management	0	\$0	\$0	\$0
For which no management decision was made by the end of the reporting period	0	\$0	\$0	\$0
For which no management decision was made within 6 months of issuance	0	\$0	\$0	\$0
A recommendation that funds be put to better use denotes funds could be used more efficiently if management took actions to implement and complete the recommendation including: (1) reduction in outlays, (2) de-obligations of funds from programs or operations, (3) costs not incurred by implementing recommended improvements related to operations, (4) avoidance of unnecessary expenditures noted in pre-award review of contract or grant agreements, (5) any other savings which are specifically identified, or (6) enhancements to revenues of the Federal Government.				

Previously Issued Audit Reports Pending Management Decisions (over 6 months)

There were no previously issued audit reports pending management decisions for the reporting period.

Significant Revised Management Decisions

April 1 through September 30, 2015

There were no significant revised management decisions during the reporting period.

Significant Disagreed Management Decisions

April 1 through September 30, 2015

There were no management decisions this reporting period with which the Inspector General was in disagreement.

Peer Reviews

April 1 through September 30, 2015

Office of Audit

Audit organizations that perform audits and attestation engagements of Federal Government programs and operations are required by generally accepted government auditing standards to undergo an external peer review every 3 years. The objectives of an external peer review are to determine, during the period under review, whether the audit organization was complying with its quality control system to provide the audit organization with reasonable assurance that it was conforming to applicable professional standards. Federal audit organizations can receive a peer review rating of *pass*, *pass with deficiencies*, or *fail*.

The most recent peer review of our office was performed by the U.S. Agency for International Development (USAID) OIG. In its report dated September 6, 2012, we received a *pass* rating for our system of quality control in effect for the year ended March 31, 2012. USAID OIG did not make any recommendations. At the end of the reporting period, the Department of Labor was conducting an external peer review on our audit organization.

External audit peer review reports of our office are available on the Treasury OIG [website](#).

During this semiannual period, we completed an external peer review of the audit organization of the Office of the Inspector General of the Intelligence Community and issued a classified report on that review dated May 20, 2015. The peer review was the first peer review for this audit organization.

Office of Investigations

CIGIE mandates that the investigative law enforcement operations of all OIGs undergo peer reviews every 3 years to ensure compliance with (1) the Council's investigations quality standards and (2) the relevant guidelines established by the Office of the Attorney General of the United States.

In August 2014, the General Services Administration OIG conducted a peer review of our office and found it to be in compliance with all relevant guidelines. There are no unaddressed recommendations from the review.

Other Reporting Requirements

This section addresses certain reporting requirements of our office that are separate from the reporting requirements in the Inspector General Act of 1978.

Reviews of Bank Failures with Nonmaterial Losses

We conduct reviews of failed banks supervised by OCC with losses to the Deposit Insurance Fund (DIF) that do not meet the definition of a material loss in the Federal Deposit Insurance Act. The reviews are performed to fulfill the requirements found in 12 U.S.C. §1831o(k). The term “material loss” which, in turn, triggers a material loss review be performed is a loss to the DIF that exceeds \$50 million (with provisions to increase that trigger to a loss that exceeds \$75 million under certain circumstances). For losses that are not material, the Federal Deposit Insurance Act requires that each 6-month period, the OIG of the Federal banking agency must (1) identify the estimated losses that have been incurred by the DIF during that 6-month period and (2) determine the grounds identified by the failed institution’s regulator for appointing the FDIC as receiver, and whether any unusual circumstances exist that might warrant an in-depth review of the loss. For each 6-month period, we are also required to prepare a report to the failed institutions’ regulator and the Congress that identifies (1) any loss that warrants an in-depth review, together with the reasons why such a review is warranted and when the review will be completed; and (2) any losses where we determine no in-depth review is warranted, together with an explanation of how we came to that determination.

During this reporting period, there were no failed banks supervised by the OCC with losses to the DIF.

Small Business Lending Fund Program Oversight

As required by the Small Business Jobs Act of 2010, we perform auditing and investigative activities related to Treasury’s Small Business Lending Fund (SBLF) Program. The act also requires our office to issue a report no less than two times a year to the Congress and the Secretary of the Treasury devoted to the oversight provided by our office, including any recommendations for improvements to the Program. With respect to any deficiencies identified in a report, the Secretary of the Treasury is to take actions to address such deficiencies, or certify to the appropriate committees of Congress that no action is necessary or appropriate.

For calendar year 2015, as September 30, our office had not issued any reports related to SBLF Program oversight. However, two audits are underway and we expect to issue reports on these audits during 2015.

Joint Purchase Card Violations Report

The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, requires the head of each executive agency with more than \$10 million in purchase card spending annually, and each Inspector General of such an executive agency, on a semiannual basis, to submit to the Director of OMB a joint report on confirmed violations by employees of such executive agency and the related disciplinary actions. OMB prescribed the format for the semiannual report, which is transmitted by Treasury to OMB via the OMB Max Portal. We reviewed the report, "Semi-Annual Report on Purchase Card Violations for the Department of the Treasury Non-Internal Revenue Service" prepared by Treasury's Office of the Procurement Executive for the period of October 1, 2014, through March 31, 2015. The report showed that for the period, Treasury's non-IRS offices and bureaus had no confirmed violations involving misuse of a purchase card. The report also states, accordingly, that there were no adverse actions, punishments, or other actions taken, and that there were no violations pending investigation, hearing, final agency action, or decision on appeal. As part of our work to verify the information reported, we inquired of Office of the Procurement Executive staff about their procedures to identify reportable matters. We also inquired of the OIG Office of Investigations and the Counsel to the Inspector General to obtain information on any cases of OIG-confirmed purchase card violations during the period, of which there were none. **(OIG-CA-15-021)**

References to the Inspector General Act

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Section 5(a)(16)	List of peer reviews conducted by Treasury OIG, including a list of outstanding recommendations from those peer reviews	49-50
Section 5(d)	Serious or flagrant problems, abuses, or deficiencies	N/A
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Abbreviations

Alabama Council	Alabama Gulf Coast Recovery Council
BEP	Bureau of Engraving and Printing
BofA	Bank of America
Center of Excellence	Centers of Excellence Research Grant Program
CFPB	Consumer Financial Protection Bureau
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EITC	Earned Income Tax Credit
FAA	Financial Agent Agreement
FDIC	Federal Deposit Insurance Corporation
FIO	Federal Insurance Office
FIO	Florida Institute of Oceanography
Fiscal Service	Bureau of the Fiscal Service
FSOC	Financial Stability Oversight Council
GAO	Government Accountability Office
IC ITE	Intelligence Community Information Technology Enterprise
IPERA	Improper Payments Elimination and Recovery Act of 2010
IRS	Internal Revenue Service
IT	information technology
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSP	Office of Security Programs
Penascal I	Penascal Wind Power, LLC
Recovery Act	American Recovery and Reinvestment Act of 2009
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury
Trust Fund	Gulf Coast Restoration Trust Fund

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Treasury Building Staircases

As the Treasury building evolved through expansions, so did its stairways. The building has six major staircases that were built between 1842 and 1869. Each staircase has its distinct architectural character, contributing to the Treasury's National Historic Landmark status.



Southwest Staircase:

Treasury's South Wing was completed in 1860 and has two staircases, one on the west and another on its east end. The stairs are graced with a decorative cast-iron balustrade, designed by the Supervising Architect. The handrail features several distinct design elements: an olive branch, symbol of peace; oak, symbol of power, and banded reeds or fascis, symbol of strength. The fact that America was about to begin a Civil War was not lost on Treasury's architects, who incorporated symbolic iconography into the new wing.

Southeast Staircase and Dome:

With the exception of the East Wing, all of Treasury's staircases are covered by a dome. The domes were intended to provide natural lighting and are decoratively painted. Completed in 1860, the Southeast dome was constructed of cast iron, the same building material that was used in the building's staircase. It lights an elegantly flowing iron and granite stair with the balusters decoratively painted to imitate bronze.



West Staircase and Dome:

The West Stair is Treasury's "monumental stair," the only stair that has a double run, each staircase a mirror image of the other. The stair was completed in 1869, 4 years after the West Wing. It was meant to serve as a complement to the West Dome, the largest and most lavishly decorated dome in the building. The elaborate treatment of the dome and stair serve to underscore the importance of the building's West Wing, which faces the White House.



Sources: The Treasury Curator, Treasury Graphics Branch, and Treasury Photographer

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